

Message Text

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PAGE 01 TEL AV 03515 181112Z
ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 /018 W
-----182336Z 059741 /72

R 181006Z MAY 77
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 6219

UNCLAS TEL AVIV 3515

E.O. 11652: N/A
TAGS: BEXP, US, IS
SUBJECT: CHANGES IN OBR REPORT

REF: STATE 111514

1. EMBASSY SUGGESTS REVISIONS IN SUGGESTED TEXT (PAGE 46)
TO READ AS FOLLOWS: BEGIN TEXT. "CORPORATE TAX"THE COR-
PORATE TAX CONSISTS OF TWO ELEMENTS, THE COMPANY TAX AND THE
INCOME TAX. THE CORPORATE TAX MUST BE PAID BY EVERYCOMPANY
WITHIN ISRAEL. RESIDENT COMPANIES ARE TAXED ON ISRAELI SOURCE
INCOME ONLY. (NOTE: THESE ARE GENERALIZATIONS AND MAY NOT
APPLY IN ALL CASES. FOREIGN INVESTORS SHOULD OBTAIN EXPERT
TAX ADVICE ABOUT SPECIFIC SITUATIONS) OF PARTICULAR INTER-
EST TO THOSE CONTEMPLATING INVESTMENT IN ISRAEL ARE THE TAX
INCENTIVES OFFERED TO APPROVED AND RECOGNIZED ENTERPRISES.
THESE CORPORATIONS ARESUBJECT TO A COMPANY TAX OF 40 PER
CENT DURING A FIVE-YEAR PERIOD BEGINNING WITH THE FIRST YEAR
IN WHICH THERE IS TAXABLE INCOME. AS AN OFFSET TO TAXABLE
INCOME,AN ACCELERATED DEPRECIATION SCHEDULE IS ALLOWED SO
THAT INVESTMENT IN NEW INDUSTRIAL MACHINERY AND EQUIPM-
MENT MAY BE FULLY DEPRECIATED OVER TWO YEARS AT THE RATE
OF 50 PER CENT PER YEAR, WHILE NEW BUILDINGS MAY BE DEPRE-
CIATED AT TWICE THE USUAL RATE OVER THE FIRST FIVE YEARS
OF USE. AS A FURTHER INCENTIVE TO THESE BUSINESSES, THE
LAW FOR ENCOURAGEMENT OF INDUSTRY PROVIDES FOR AN EXEMP-
TION FROM INCOME TAX OVER THE FIVE-YEAR PERIOD,PROVIDING
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NO DIVIDENDS ARE DISTRIBUTED. IF DIVIDENDS ARE DISTRI-
BUTED, THEY ARE SUBJECT TO A REDUCED INCOME TAX WITHHOLD-
ING RATE OF 15 PER CENT. AFTER FIVE YEARS REGULAR RATES
APPLY. THESE RATES MAY BE FURTHER ADJUSTED UNDER THE
TERMS OF THE NEW U.S.-ISRAEL TAX TREATY NOW BEFORE THE
U.S. SENATE.(FOR FURTHER DETAILS ON TAX INCENTIES,SEE
APPENDIX.) END TEXT.

2. EMBASSY PREFERS CALLING WITHHOLDING TAX AN INCOME TAX FOR REASONS OF CONSISTENCY AND SIMPLICITY. THE ISRAELI INVESTMENT AUTHORITY CALLS IT AN INCOME TAX AND SINCE WITHHOLDING REFERS TO THE METHOD OF COLLECTING THE TAX RATHER THAN THE TYPE OF TAX, WE DO NOT WANT TO CREATE CONFUSION BY USING DIFFERENT TERMINOLOGY. WE PREFER GOING INTO DETAIL ON DEPRECIATION SCHEDULES AS AN OFFSET AGAINST NET PROFITS SINCE SIZE OF DEPRECIATION CAN HAVE A MAJOR EFFECT ON TAXABLE INCOME. WE ALSO WISH TO MAKE EXPLICIT THE COMPANY'S EXEMPTION FROM INCOME TAX IF NO DIVIDENDS ARE DISTRIBUTED.
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Sent Date: 18-May-1977 12:00:00 am
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Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Litigation Codes:
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